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The crisis in Ireland: where did it all go wrong?

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The books under review attempt to explain recent political events in Ireland against the backdrop of the collapse of the Celtic Tiger in 2008. Collectively, they offer insights into both the causes and consequences of the economic crisis, identifying underlying weaknesses in Irish structures of governance which contributed to it. Four key problems are identified throughout the four volumes: a highly centralised state; an executive that dominates parliament; a dysfunctional electoral system; and a conservative political culture, resistant to reform. Economic recovery will depend on European elites as much as Irish policy makers. Therefore, despite the turbulence of the 2011 general election, prospects for radical change in the structures and political culture that facilitated Ireland’s crash remain bleak.


**Introduction**

When the global economic crisis struck in 2008, Ireland was one of the worst affected countries. By November 2010, the Irish government was forced to seek an €85 billion European Union (EU)-International Monetary Fund (IMF) rescue loan. This collapse, after years of sustained economic growth, posed serious interpretive problems for scholars and politicians alike: how did it happen, and who was responsible? Political leaders have at times sent mixed messages. Enda Kenny, the current Irish prime minister (Taoiseach), addressing a domestic television audience, informed the Irish people they were ‘not responsible’ for the
crisis. Shortly afterwards, however, he told an audience at the World Economic Forum in Davos that both the Irish people and its banks ‘went mad’ borrowing during the boom. The system ‘spawned greed’ to a point where this went out of control completely with a ‘spectacular crash’ (Donovan and Murphy, 2013, p. 3). Neither of Kenny’s explanations is particularly satisfactory. The works under review paint a rather more complicated picture of how the Irish crash happened, its consequences, and the prospects for reforming the governmental structures and political culture that facilitated it.

The works reviewed are diverse in their origins. Two of the books (Gallagher and Marsh, and Hardiman) are edited collections. The former is part of a long-running series on Irish general elections dating back more than two decades, and the latter owes its genesis to an interdisciplinary governance research programme based at University College Dublin. Kirby and Murphy’s book is a monograph exploring the prospects for change in the wake of the Irish economic crisis, whilst Byrne’s study is a modified version of her doctoral dissertation that explored Irish corruption during the nineteenth and twentieth centuries.

Collectively, the books offer insights into the electoral consequences of the economic collapse; prospects for change; failures of governance and the spectre of corruption in Irish public life. Read in conjunction with important journalistic works on the Irish banking sector (Carswell, 2011; Ross, 2010), in-depth studies of Fianna Fáil, the political party that presided over the collapse (Leahy, 2009), and recent analytical studies of Irish governance (O’Malley and MacCarthaigh, 2012) and the collapse of the Celtic Tiger (Donovan and Murphy, 2013), they provide a depressing vista of Ireland’s political and commercial elites, and its populist political culture that prioritised short-term gains for vested interests over more sustainable economic growth and a more equitable society.

**Electoral consequences of the crisis**
The unprecedented economic collapse ensured that change was inevitable during the 2011 Irish general election. *How Ireland Voted 2011* provides a full account of this ‘earthquake election’. This volume is the latest in a series of books covering Irish general elections, dating back to 1987. Previous volumes have been praised for their comprehensive coverage of the issues and campaign, and this is no exception.

In 2011, Irish voters rounded on the government. Fianna Fáil, the largest coalition partner, suffered the worst result in its history and its partner in government, the Green Party, lost all its seats. Gary Murphy’s comprehensive background chapter traces the events leading to Ireland’s pre-election collapse. Characterised by hubris, incompetence and a measure of bad luck, it is not a pleasant story. His chapter will be welcomed by comparative scholars less familiar with the labyrinthine world of Irish politics.

Despite Fianna Fáil’s implosion, however, long-term political change may prove elusive. Suiter and Farrell note the ‘remarkable’ consensus between the three major parties on a majority of policies. It may therefore matter little which party is actually in power (pp. 36-42). Likewise, Reidy demonstrates that most election candidates came from middle-class backgrounds, or had previous family links to politics – a case of ‘business as usual’ (p. 66).

Pat Leahy provides an outstanding assessment of the election campaign, arguing that it was a mistake for the Labour party to suggest a renegotiation of the EU-IMF loan terms was possible. Subsequently, Fine Gael demolished Labour’s early lead in the polls securing 76 seats to Labour’s 37 (p. 82). Fine Gael also conducted a sophisticated social media canvass, detailed in the innovative chapter about the online campaign by Wall and Sudilich. The chapter featuring insights from election candidates reinforces the notion that Irish political debate is characterised by localism. It also emphasises the importance of family and sporting networks, particularly the Gaelic Athletic Association, in Irish politics. Nevertheless,
in this election, the crisis engendered a change of mood, with national issues more prominent than usual during the campaign.

The election results are systematically examined by Michael Gallagher. The 2011 contest was one of the most volatile elections in post-war Europe. Fine Gael and Labour became the first and second parties for the first time in their respective histories. Fianna Fáil came third, losing almost a quarter of its support (p. 143). However, Gallagher detects strong elements of continuity within this change. The election may represent a ‘redistribution’ of the existing party system, rather than its ‘destruction’ (p. 168). The decision of Fine Gael and Labour to coalesce means a left-versus-right political cleavage is still unlikely to emerge, a view shared in the chapter by Marsh and Cunningham (p. 199).

Neither is the election likely to herald a major breakthrough for gender equality, as Buckley and McGing demonstrate. They argue that introducing quotas might increase the number of women in Dáil Éireann, but greater female participation in politics will only be achieved when issues such as adequate access to childcare are addressed (p. 260).

One area of agreement between the main parties is the need to reform Ireland’s upper house, the Seanad (Senate). The current programme for government seeks its abolition. John Coakley, however, foresees constitutional difficulties in doing so, arguing that it is by no means certain that the ‘2011 election to Seanad Éireann will be the last’ (p. 260).

Despite the book’s title, there is a strong sense that the changes witnessed during the 2011 election are merely temporary. The story of the 2011 contest might properly be summarised as ‘continuity amid change’. Eoin O’Malley’s chapter on government formation suggests there will be no radical break with the past. The formation of a Fine Gael-Labour coalition is a sign of this underlying continuity, since non-Fianna Fáil governments have always featured these parties (p. 279).
Continuity is also the theme of the final chapter, by the late Peter Mair. Mair argues that the 2011 election ‘may not have done much to disturb the fundamentals’ of the Irish party system. It would be a mistake to write off Fianna Fáil, since it will ‘be seen as the basis of an alternative government’ (p. 283). Recent opinion polls, showing evidence of a Fianna Fáil recovery, suggest Mair was correct (Hardiman, 2013, p. 26).

Mair sees the current EU-IMF agreement as the most significant obstacle to change, since it constrains future policy options. If reports about the country’s weak banks are accurate, further emergency funding may be necessary (Middleton, 2013). Thus it may be some time before the country regains its economic sovereignty. Until then, it may matter little which party is in power after future elections (p. 296). Whatever happens, the 2011 election will command scholarly attention for years to come. How Ireland Voted 2011 provides an indispensable account of that contest, which, for all its drama, may have altered so little.

Prospects for change?
The prospects for change are explored in Towards a Second Republic by Peadar Kirby and Mary P. Murphy. They consider the potential for the development of a ‘new’, more socially just Republic in the aftermath of the Celtic Tiger. Northern Ireland’s potential relationship to this ‘new’ Republic is also explored.

They identify key weaknesses in the Irish political system that contributed to the collapse, familiar to seasoned observers: a highly centralised state where the executive dominates parliament and a localist/populist political culture, shaped by the proportional electoral system (PR-STV). They also critique the policy-making capacity and culture of unaccountability within the civil service. Irish ministers, however, frequently ignored sensible economic advice from officials, which perhaps exacerbated the severity of the economic crash (p. 63).
The authors discuss the ‘Irish model’ that drove the Celtic Tiger – based on low taxes and correspondingly low investment in social services (p. 72). The loosening of financial services sector regulation by the Fianna Fáil-Progressive Democrat (PD) coalition, later to have disastrous consequences, is also highlighted (p. 79).

Kirby and Murphy argue that it is ‘almost certain’ that had the parties that made up the ‘left-of-centre coalition from 1994 to 1997’ been re-elected, different policy priorities would have shaped the Irish model. There might have been greater emphasis on social investment, ‘with the goal of greater social equity’ (p. 82).

However, that ‘left-of-centre’ coalition contained not only Labour and Democratic Left (the two parties later merged), but also Fine Gael – the most conservative Irish party. It implemented liberal economic policies, notably agreeing to reduce Corporation Tax to 12.5 per cent – against the advice of Department of Finance officials who favoured a 15 per cent rate: confirming their earlier argument that politicians rejected economic advice from officials (Labour, 2012; Irish Times, 1997).

The book also depicts the winners and losers of the Celtic Tiger. Unsurprisingly, the latter includes society’s most vulnerable: the long-term unemployed; lone parents; minority ethnic groups and Travellers. They write compassionately about those left behind by the ‘boom’, and their use of individual case studies is both effective and affecting (pp. 103-110).

Conversely, there is justifiable contempt for the winners. This ‘golden circle’ that plays a prominent role in Irish political and commercial life, is ‘sustained by a political ideology that believes inequality to be inevitable and necessary, and by wider Irish attitudes of deference to power and privilege’ (p. 127).

The Irish crisis, however, was also fuelled by external factors. Kirby and Murphy suggest that the collapse was ‘facilitated by membership of the euro’. They surmise that the crisis ‘could not have happened’ without Euro membership since access to the low-interest
credit that fuelled property speculation might have been unavailable (p. 150). However, Iceland was not in the Eurozone, and had high interest rates, but it, too, suffered economic collapse in 2008 (Norberg, 2009, p. 96).

Kirby and Murphy compare Ireland’s response to the crisis with other states that previously suffered and recovered from economic shocks, including Iceland and Finland. These states imposed ‘haircuts’ on foreign debtors; devalued their currencies to improve competitiveness; and instituted timely reform of their banks (pp. 169-83). By contrast, Ireland could not devalue, and its banking reforms were tardy and inept. Private debts were nationalised, with, initially at least, no haircuts imposed on bondholders.

Could successive Irish governments have acted any differently? It has been argued that there was no realistic alternative to the comprehensive bank guarantee offered by the Fianna Fáil-led government in 2008. Nevertheless, the same study recognises that there is scope to debate whether subordinated debt should have been included in the guarantee (Donovan and Murphy, 2013, pp. 217-18). Whether the Fine Gael-Labour coalition that took office in 2011 could have substantially altered the policy of the previous government is also hotly debated.

The coalition could have defaulted, but this would have meant a more severe fiscal adjustment than was required by the EU-IMF creditors. This would have increased hardship more than the current austerity package (Lucey, Larkin and Gurdgiev, 2012). However, a default would have reduced the long-term debt burden that continues to plague the Irish economy. Research on the coalition government (Leahy, 2013, pp. xi-xii) suggests that the political consequences of defaulting were thought too severe to even contemplate by senior ministers.

Research by the economist Michael Taft, however, has demonstrated that Ireland has paid much more per-capita for the costs of resolving the Euro debt crisis than any other
member of the currency union (€8,981 per capita versus €491 per capita in Germany).

Indeed, Ireland has paid 42 per cent of the total cost of the European banking crisis (Taft, 2013; Eurostat, 2012). This suggests that policy makers did not obtain a fair deal for the Irish people, and adds some weight to Kirby and Murphy’s criticisms of Irish political elites.

The authors assert that an efficient and capable state should ensure that the ‘free market serves the good of society’ (p. 184). In Ireland, where citizens face austerity to bail out banks, the reverse appears to be true. How, then, might a ‘second Republic’ operate? Kirby and Murphy see three potential models:

(1) Continuation of the liberal, low-tax model that led to collapse.

(2) A social-democratic model, involving higher taxes and greater social investment.

(3) An ecological socialist model, emphasising sustainable development.

The authors appear to favour a mixture of the second and third options. They consider the left as the most likely source of political change in Ireland (pp. 213-14). This is unlikely, given the dramatic decline in support for Labour in opinion polls (Red C, 2013, p. 5). Labour may be experiencing a characteristic cycle of decline and could take years to recover (McDaid and Rekawek, 2010). And is a Labour-led administration necessarily more likely to be successful eliminating cronyism than one led by Fianna Fáil or Fine Gael?

Likewise, there is no compelling evidence that the Irish electorate has been persuaded of the merits of an ecological socialist model of the kind advocated in the book. The Irish Green Party has almost disintegrated, and, despite the crisis, half the electorate continue to support Fianna Fáil and Fine Gael, the centre-right parties that dominated Irish politics for generations (Red C, 2013, p. 5). Sinn Féin is perhaps the only party likely to substantially increase its share of the vote at the next election, although it may lack the ‘coalition potential’ (Sartori, 1976, p. 122) to implement any of its more radical policy prescriptions.
The inclusion of Northern Ireland in the book is somewhat problematic. Several chapters make little or no reference to the region. This is understandable given the study’s emphasis, but the book may have been stronger had it focused solely on the Republic. These criticisms aside, Kirby and Murphy have produced an insightful, passionately argued study that will influence debates concerning the kind of Ireland that emerges from the post-Celtic Tiger period. Above all, they demonstrate the deep conservatism at the heart of Irish political culture. Advocates of a ‘second Republic’ face significant challenges ahead.

Failures of governance

The scale of the challenge facing Ireland is detailed in Niamh Hardiman’s edited collection *Irish Governance in Crisis*. She and her fellow contributors seek to understand the underlying patterns of Irish governance and consider the reforms necessary to address the current crisis. As ever, the political system and conservative political culture are identified as sources of the state’s weakness.

The absence of a left-right cleavage has ensured the de-politicisation of issues concerning resource distribution (p. 3). Echoing Kirby and Murphy, Hardiman notes the consensus regarding low taxation among Irish political parties. Indeed, even the Labour party proposed cutting income tax to 18 per cent prior to the 2007 general election (Labour, 2007, p. 3).

Many previous attempts to reform Irish governance have been ineffective, as Muiris MacCarthaigh demonstrates. This is partially attributable to Ireland’s weak parliament, unable to hold government or state agencies to account (p. 23). Irish regulators also failed in their duty, particularly financial regulators, as noted by Jonathan Westrup. Irish regulatory regimes were thus incapable of challenging elite ‘patterns of policy making’ prior to the collapse (p. 74).
The political system also mitigates against change. Sean McGraw’s excellent chapter demonstrates that the non-ideological nature of Irish politics can be partially explained by the electoral system (PR-STV), and cross-class appeal of the parties. This makes it difficult for challenger parties of the left or right to emerge, and avoid being swallowed by larger parties. These problems will not be easily remedied ‘within the contours of the current system’ (p. 61).

In explaining how the Irish crash occurred, Dellepiane and Hardiman identify three simultaneous crises: financial (banking); fiscal (a widening gulf between expenditure and revenue); and competitiveness (the runaway cost structures developed during the boom) (p. 91). Like Kirby and Murphy, they see Ireland’s Euro membership as a major policy constraint, where national recovery depends as much upon international conditions as ‘domestic policy choices’ (p. 104). Or, perhaps, the policies that northern European elites allow Irish governments to make.

The second half of the book examines the crisis of governance across a range of specific areas: healthcare, waste management, urban regeneration, security and e-governance. The diversity of the topics covered is impressive. Finn and Hardiman’s chapter on health details structural inequalities in the health service, involving significant public to private sector subsidies, and the failure of successive governments to rectify this inequitable situation.

Laffan and O’Mahoney’s essay on waste management not only highlights local government management failings, but also the culture of ‘localism and populism’ which has hampered the implementation of a national waste management strategy (p. 12). They suggest that incentives should be considered for regions hosting ‘undesirable’ infrastructure, such as incinerators (p. 153).
Payne and Stafford’s chapter on the redevelopment of Temple Bar, Dublin’s ‘cultural quarter’, only gathered critical momentum when the Taoiseach of the day, Charles Haughey, took an active interest in the project (p. 171). The chapter underscores the notion of a centralised state where personal links to central government really matter.

Chapters on security (Aogán Mulcahy) and e-governance (Lee Komito) are also circumspect about the chances of reform, whether in terms of police accountability (p. 191), or government willingness to harness the ‘transformative potential’ of e-governance initiatives (p. 205). These observations again hint at a deep-seated conservatism within the system of governance.

Hardiman calls for reform in a number of areas to which the book has referred. Unsurprisingly, these include strengthening the legislature relative to the executive, fewer restrictions on recruitment to government, and reform of the public sector (pp. 271-221). Any new institutions must be sufficiently robust to resist serving the party-political interests of the government – no easy task in the Irish context.

Hardiman’s concludes that institutions of governance should be kept under constant review, with timely implementation of necessary reforms (p. 226). Her volume provides much-needed critical reflection on the weaknesses of Irish governance. What is perhaps most depressing is that the inability of Irish elites to design better structures of governance capable of withstandning crises currently appears to be matched at EU level.

The spectre of corruption

If institutions and political culture have contributed to weaknesses and inequalities in Irish society, corruption has also played a role, as Elaine Byrne’s *Political Corruption in Ireland 1922-2010* documents. Byrne’s use of the harp as metaphor is ‘symbolic of the adage that in order to get anything done in Ireland, it is necessary to pull strings.’ The book considers whether standards in public life have fallen since Ireland achieved independence in 1922 (p.
1). She also argues that Irish definitions of corruption have been overly legalistic, focusing on whether personal financial gain accrued. Byrne hopes to promote a better understanding of ‘mediated corruption’ – where gains are political, not personal, but may undermine the democratic process (p. 12).

The state’s founders apparently had more scrupulous ethical standards than their successors. The independent state’s first government, Byrne argues, ‘sacrificed their self-interest for the public good’ and assumed that these principles would endure after them, seeing no need to enshrine them in legislation (p. 33). This, however, was a serious miscalculation, as illustrated by various corruption scandals during the 1930s and 1940s.

The probity of the first Free State government is contrasted with succeeding Fianna Fáil administrations. DeValera himself ‘used his public office for the enrichment of his family’ by taking the Irish Press newspaper under their personal control (p. 62). Also, some ministers allocated state contracts to their supporters, but a ‘Tribunal Trilogy’ failed to apportion blame to such ministers, since no personal financial gain to those involved could be proven. Likewise, witnesses often proved unreliable under questioning.

In later years, local government became the epicentre of corruption, as the demand for housing increased, particularly in Dublin during the 1960s and 1970s. Local councillors could rezone agricultural land as residential, thus allowing housing to be built there. This vastly increased its potential value. Councillors could override the decision of city or county managers to refuse planning permission, leaving some vulnerable to the influence of unscrupulous property developers, as later Tribunals demonstrated.

A series of scandals emerged during the 1990s, including the notorious ‘Beef Tribunal’, which ‘marked the possibility of the greatest form of corruption, that of state capture within political decision making’ (p. 103). The Beef Tribunal exposed massive irregularities in the administration of taxpayer funded export credit insurance for the beef
industry. Byrne highlights the role of the minister for industry, Albert Reynolds, in expanding the scheme, which benefitted ‘beef baron’ and Fianna Fáil donor Larry Goodman.

Byrne’s chapter on the 1990s and 2000s provides an excellent synthesis of the findings of the McCracken, Moriarty and Flood/Mahon Tribunals that investigated matters such as payments to politicians and planning corruption. The malign influence of former Taoiseach Charles Haughey on Irish political life features prominently throughout. Most importantly, Byrne establishes beyond doubt that these Tribunals, although expensive, yielded twice their estimated cost to the exchequer in recovered tax, interest and penalties (p. 181). Thus, there are financial as well as ethical justifications for the Tribunals.

In attempting to explain corruption in Irish politics, Byrne travels a familiar route, highlighting both the legacy of British rule and the authoritarian nature of Irish Catholicism. Byrne asserts that the Act of Union undermined trust in authority, due to the memory of British misrule. If that was correct, we might have expected corruption to have been worse during the state’s early years, when that legacy was most apparent, but this was not so. Likewise, her criticism of an Irish Catholic Church that influenced ‘a blanket emphasis on loyalty which embraced deference as a core virtue’, although accurate, tends to absolve Irish citizens of any responsibility for the corruption in society, particularly in later years when the Church’s influence had already waned considerably (p. 225).

There are a number of events which one might have expected to read more about in Byrne’s book. Only passing reference is made to Seán Doherty, the former justice minister who, in 1982, resigned over revelations that prominent journalists were victims of phone-tapping. A decade later, Doherty’s revelations that Haughey had authorised the phone-tapping brought down his government. Such events may explain media reluctance to probe the corridors of power too thoroughly. Nor is the Morris Tribunal concerning Garda corruption in County Donegal mentioned.
Stylistically, the book occasionally suffers from Byrne’s convoluted prose, and appears to have been copy edited rather hastily. Nevertheless, this innovative book confronts Irish citizens with an unpalatable assessment of the deferential and influence-trading culture which permitted corruption to flourish and undermine the democratic process throughout the state’s history.

Conclusion

The works under review have identified four main problems within Irish governmental structures and political culture that contributed to the present crisis: a highly centralised state; an executive that dominates parliament; a dysfunctional electoral system and a conservative political culture, seemingly impervious to reform. Despite the volatility of the 2011 general election, little has changed. As Peter Mair has pointed out, it did little more than restore to power the party whose predecessor was the largest party in parliament eighty years ago (Mair, 2011). Whilst the works under review identify structural weaknesses and regulatory failures, they do not quite go as far as Mair did, by ascribing a significant portion of the blame for Ireland’s collapse to the citizens themselves, who allowed a dysfunctional system to flourish since the foundation of the state. Citizen disengagement and the localist fetish in Irish political culture allowed special interests such as the Catholic Church and financial sector to dominate the policy agenda, and the people must share the responsibility for this situation (Mair, 2011). As well as identifying the causes and consequences of the collapse, the works reviewed also point out that Ireland’s prospects for recovery are, to a large extent, out of its hands. The important decisions are not made in Dublin, but in Frankfurt (by the European Central Bank) or Washington D.C. (by the IMF). And these institutions have not yet demonstrated the ability and capacity to solve the present crisis. Like all scholarship on contemporary politics, there is a danger of being overtaken by events. As the crisis unfolds, new works will undoubtedly emerge which benefit from a more historical method. Overall,
however, the books reviewed will play a vital role in commencing the painful, but necessary, debate about what caused the Irish crisis, which individuals and groups contributed to it, and the measures necessary to prevent a similar catastrophe in the future. They do not always make for comfortable reading, but perhaps serve to illustrate that Irish scholarship is in a much healthier state than its economy or political system.

References


